

October 6-7, 2005

Home health agency case mix and financial performance

ISSUE: The home health prospective payment system (PPS) uses a case mix system to adjust payments to reflect the relative costliness of episodes of care. Congress asked us to determine whether agencies with certain case mix levels had better financial performance than others. If the case mix system is inaccurate, the PPS will overpay some agencies and underpay others.

KEY POINTS: We contracted with Mathematica Policy Research to assist MedPAC staff analysis. The data we considered were cost reports, claims, patient assessments, and provider characteristics.

We began our analysis with descriptive statistics. We explored the relationship of agency location (rural or urban), control (for-profit, voluntary, or government), size (annual number of episodes provided), region of the country, and case mix to agency Medicare margins. Our next step was to use a regression model with Medicare margin as the dependent variable.

ACTION: At this meeting, we will present a draft of the final report for your approval. This report is due to Congress on December 8, 2005.

STAFF CONTACT: Sharon Bee Cheng (202-220-3712)